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CENTRAL INTELLIGENCE AGENCY

REPORT NO. [REDACTED]

INFORMATION REPORT

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SUPPLEMENT TO
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1. Continuing rumors of an impending Peruvian cabinet crisis, coupled with both congressional and press attacks on the Odría government's proposed oil legislation have disturbed the calm that has reigned over the political scene since Odría was inaugurated as constitutional president.
2. The possible cabinet crisis centers around War Minister General Zenon Noriega, Finance Minister Andres Dasso, and to a somewhat lesser extent the Pradista Minister of Government Ricardo de la Puente and Minister of Foreign Affairs Manuel Gallagher.
3. General Noriega may leave the cabinet very shortly and receive an appointment as Ambassador, possibly to Argentina, a country he recently visited. Should Noriega resign, the entire cabinet would tender its resignation since Noriega is the "premier" of the cabinet. Such action would allow Odría to make any changes he desired.
4. Dasso's resignation would be because of his ill health. The positions of de la Puente and Gallagher depend entirely on how the Odría-Pradista alliance progresses. The Odría-Pradista alliance is a temporary one based on mutual interests in certain issues, such as passage of the oil legislation. The Pradistas are well aware that they may be discarded once they have served Odría's political purposes.
5. This situation is one reason why de la Puente is seeking a labor following in the Callao area from which he is a senator. De la Puente feels that the Pradistas can consolidate their positions in the present government if they can marshal the support of a sizeable labor group.
6. A source with excellent Pradista contacts reports that there is no indication of an imminent break between Pradistas and Odría, particularly as long as the oil legislation is pending. Odría is confident that, with Pradista support, the oil legislation will be approved, despite the opposition of the conservative land-owners and noisy leftist elements in congress.
7. This source, who also has a well-informed army contact, has no confirmation of reports that General Noriega will resign. However, it is reported that

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Labor Minister General Armando Artola may resign in the near future. A shortage of S/1,500,000 soles in the funds of Artola's ministry had disturbed President Odria.

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8. The behind-the-scenes opposition to the Odria government is being inspired by the powerful Gildermeister interests who are opposed to Odria's economic policies and particularly to proposed new taxes. Increased government revenues from additional taxes and from oil concessions would bring the Odria government "out of the red". The Gildermeisters are among those Peruvian elements who consider it necessary that no Peruvian government be allowed to improve its financial situation to the extent that it could entrench itself in power.
9. There is no concrete evidence of an imminent upheaval in the government, but sources state that the "rocking of the boat" has started.
10. Of interest but of less importance on the local political scene is the schism that has developed in the Socialist Party as a result of a revolt against Luciano Castillo for accepting the national electoral board's "mixed slate" decision in Piura electoral issue. The revolt against Castillo is being led by Dagoberto Torres, the party's press and propaganda secretary, and by Teodoro Garrido Lecca, secretary of the party's Piura departmental committee. The latter have requested Castillo to call a national congress of party members which would presumably lead to a reorganization of the party.

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